

HOPKINS PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Hopkins Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hopkins Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools as of June 30, 2008, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 08, 2008, on our consideration of Hopkins Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xiii and page 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hopkins Public Schools' basic financial statements. The additional information on pages 30 to 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maner, Costinison & Ellis, P.C.

September 8, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hopkins Public Schools District (HPS) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The 2007/08 school year resulted in an operating deficit in the General Fund for the fifth consecutive year. As in the past, this deficit was anticipated when the initial budget was adopted in June of 2007. The initial projection of a budget deficit was for a \$217,000 deficit, while final numbers came in at the \$70,000 deficit level. While health insurance increases and pension costs moderated from previous years to less than 10%, the small foundation grant increase of \$96 per student was still overwhelmed by all cost increases. District General Fund balances have now dropped to \$1.94 million dollars or above 16% of district expenditures.

The change in sports seasons had a major impact on athletic fund revenues. The General Fund supplement to athletics increased to over \$31,000, or nearly 42% of the budget from the previous years 33%.

The School Lunch fund definitely felt the pinch of higher food costs. As an example, pizza cheese went from \$18 to \$32 per case, and total food costs increased by over \$26,000 from 2006/07. Overall there was a deficit of nearly \$14,000 in operations during 2007/08.

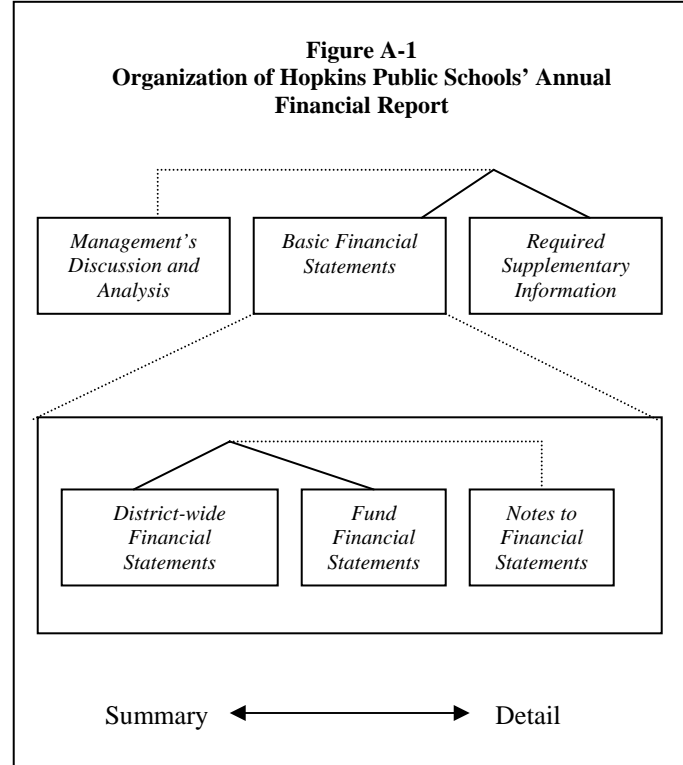
The Capital Projects fund, the result of the successful 2007 bond issue spent nearly \$4.5 million dollars in 2007/08, or about 25% of the total project. By the end of the 2008/09 school year it is expected that another \$12 million will have been used, and that the projects will be nearly completed.

Overall the district spent nearly \$19.6 million dollars in all funds this past fiscal year, with fund balances dropping from over \$20.4 million at the beginning of the year to just over \$16.5 million at the end. The major change was in the Capital Projects fund which began the year with a \$17.5 million dollar balance and ended at \$14 million. This fund is expected to be spent down to zero midway through the 2009/10 school year, when all building projects are completed.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - District net assets increased during fiscal 2008. Higher repayments of District indebtedness as well as lower borrowing from the school bond loan fund contributed towards that change.

Table A-3		
Hopkins Public Schools' Net Assets		
	2008	2007
Current and other assets	\$ 19,555,888	\$ 22,929,874
Capital assets	24,139,018	20,321,251
Total assets	43,694,906	43,251,125
Long-term debt outstanding	38,473,919	39,193,054
Other liabilities	4,440,906	3,558,598
Total liabilities	42,914,825	42,751,652
Net assets:		
Invested in capital assets, net of related debt	(287,435)	(1,513,372)
Restricted	-	260,006
Unrestricted	1,067,516	1,752,839
Total net assets	\$ 780,081	\$ 499,473

Table A-4		
Changes in Hopkins Public Schools' Net Assets		
	2008	2007
Revenues:		
Program revenues	\$ 681,164	\$ 640,395
Charges for services	462,977	493,459
General revenues:		
Property taxes	2,319,040	2,168,999
State aid - unrestricted	10,882,282	10,978,524
Other	1,182,710	397,441
Total revenues	15,528,173	14,678,818
Expenses:		
Instruction	7,436,197	7,069,429
Support services	4,910,224	4,940,166
Community services	43,947	27,924
Food services	651,804	648,020
Athletics	113,156	114,313
Interest on long-term debt	1,665,767	1,008,874
Unallocated depreciation	426,470	429,821
Total expenses	15,247,565	14,238,547
Change in net assets	\$ 280,608	\$ 440,271

DISTRICT GOVERNMENTAL ACTIVITIES

Although fiscal 2008 saw District fund balances decreased on the whole the General Fund deficit of \$70,000 was much less than the initial budget deficit of over \$200,000. The resulting deficit was much smaller than had been anticipated, and reserves in the General Fund remain in excess of the Board's policy requirement of 15%

- The District student count dropped slightly in 2007/08. Higher energy prices, plus the stagnant Michigan economy together pushed families out of State, or required them to move closer to their job site. Still the decrease of 18 students was minimal and the winter count was higher than that taken in the fall. The 2008/09 budget is being based on the winter count of 2008, with no increase expected.
- The student foundation grant was increased by the state by \$96 per student in 2007/08, an increase of less than 1.5%. When coupled with the rising cost of energy, utilities and food costs, not to mention health insurance, the District felt relatively good about a deficit of \$70,000. The increase in diesel fuel only was more than 50% of the year's deficit.
- The increase in food costs required the District to make across the board increases in lunch and breakfast prices for 2008/09. The increase of \$1.50 per week has been brought about by the much higher food and utility costs that the District is facing..
- The change in athletic seasons was a major factor in reducing athletic revenues for 2007/08. Overall reductions in funding and the additions of new varsity sports (soccer, competitive cheer, bowling) have led the District to eliminate freshman sports in 2008/09.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As mentioned earlier, in most District funds, expenditures exceeded revenue during fiscal 2008, while District fund balances remains healthy. The Board of Education and Administration are exploring available options in the Athletic and School Lunch Department. Ongoing negotiations with employee groups are hoped to help the District's General Fund.

General Fund and Budget Highlights

During fiscal 2008 the District's budgets were amended several times to reflect the changes that had major impact upon the District.

Initial amendments were made once the student count, District hirings and State Aid was known. As utility amounts changed, other amendments were made to recognize those changes as well as other activities taking place throughout the year.

Final budget amendments were proposed in May, and approved by the Board of Education in June. This budget anticipated a deficit of \$100,000 for the year. Final figures showed a deficit of \$70,512.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital purchases in fiscal 2008 were again slightly higher than normal even with deficit pressures. Replacement of technology as well as new technology furnishings in the remodeled facilities were the major portion of the spending increases..

Table A-5 Hopkins Public Schools' Capital Assets Net of Depreciation		
	2008	2007
Land	\$ 267,000	\$ 267,000
Construction in progress	4,298,308	89,103
Building and additions	18,314,260	18,748,725
Furniture and equipment	505,514	446,722
Transportation equipment	501,254	643,317
Total	<u>\$ 23,886,336</u>	<u>\$ 20,194,867</u>

Long-term Debt

During the 2007/08 school year the District refunded the 1998 bonds to take advantage of the lower interest rates available. They also repaid more than \$400,000 of existing debt from 1999, and will be looking at a possible refunding for that fund during the 2008/09 fiscal year.

Table A-6 Hopkins Public Schools' Outstanding Long-Term Debt		
	2008	2007
General obligation bond (financed with property tax)	\$ 32,960,312	\$ 33,672,275
School bond loan fund	5,964,558	5,701,703
Other *	774,196	781,932
Total	<u>\$ 39,699,066</u>	<u>\$ 40,155,910</u>
* Accrued sick pay and termination benefits.		

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several areas which could have a large impact on the 2009 fiscal year and the future.

- The State of Michigan has just recently passed a State Aid Act which once again fails to provide for an inflationary increase in the student foundation grant.
- District student count is expected to remain stable in 2009. At this point, the economy of the state and this area make it impossible to estimate the extent of the student count change.
- The District is beginning to see a larger backlog of unsold properties and homes which may impact District tax collections in the next fiscal year.
- The extreme volatility of energy expense, whether it be for bus fuel, or heat and electricity make forecasting these areas of the budget very problematic.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Hopkins Public Schools, 400 Clark Street, Hopkins, MI 49328.

BASIC FINANCIAL STATEMENTS

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental activities
ASSETS	
CURRENT ASSETS:	
Cash	\$ 637,901
Investments	1,987,369
Receivables:	
Interest receivable	128,050
Due from other governmental units	2,080,121
Inventories	107,445
Prepaid expenditures	144,357
Restricted investments - capital projects	14,470,645
TOTAL CURRENT ASSETS	19,555,888
NONCURRENT ASSETS:	
Deferred charges, net of amortization	252,682
Capital assets	31,686,681
Less accumulated depreciation	(7,800,345)
TOTAL NONCURRENT ASSETS	24,139,018
TOTAL ASSETS	\$ 43,694,906
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 496,583
Accrued salaries and related items	993,240
Accrued interest	290,936
Note payable	1,435,000
Current portion of long-term obligations	1,122,115
Current portion of termination benefits	103,032
TOTAL CURRENT LIABILITIES	4,440,906
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	37,802,755
Noncurrent portion of compensated absences and termination benefits	671,164
TOTAL NONCURRENT LIABILITIES	38,473,919
TOTAL LIABILITIES	42,914,825
NET ASSETS:	
Invested in capital assets, net of related debt	(287,435)
Unrestricted	1,067,516
TOTAL NET ASSETS	780,081
TOTAL LIABILITIES AND NET ASSETS	\$ 43,694,906

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense)
				revenue and changes in net assets
Governmental activities:				
Instruction	\$ 7,436,197	\$ -	\$ 422,555	\$ (7,013,642)
Support services	4,910,224	14,297	12,784	(4,883,143)
Community services	43,947	19,105	-	(24,842)
Food services	651,804	379,655	245,825	(26,324)
Athletics	113,156	49,920	-	(63,236)
Interest on long-term debt	1,665,767	-	-	(1,665,767)
Unallocated depreciation	426,470	-	-	(426,470)
Total governmental activities	<u>\$ 15,247,565</u>	<u>\$ 462,977</u>	<u>\$ 681,164</u>	<u>(14,103,424)</u>
General revenues:				
Property taxes, levied for general purposes				497,584
Property taxes, levied for debt service				1,821,456
Investment earnings				976,915
State sources				10,882,282
Intermediate sources				159,585
Other				46,210
Total general revenues				<u>14,384,032</u>
CHANGE IN NET ASSETS				280,608
NET ASSETS, beginning of year				<u>499,473</u>
NET ASSETS, end of year				<u>\$ 780,081</u>

See notes to financial statements.

**HOPKINS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General Fund</u>	<u>2007 Capital projects fund</u>	<u>Capital Improvement Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
ASSETS:					
Cash and cash equivalents	\$ 133,098	\$ -	\$ 373,280	\$ 131,523	\$ 637,901
Investments	1,987,369	-	-	-	1,987,369
Receivables:					
Interest	2,400	125,650	-	-	128,050
Due from other governmental units	2,075,724	-	-	-	2,075,724
Inventories	84,866	-	-	22,579	107,445
Prepaid expenditures	144,357	-	-	-	144,357
Restricted investments	-	14,470,645	-	-	14,470,645
TOTAL ASSETS	<u><u>\$ 4,427,814</u></u>	<u><u>\$ 14,596,295</u></u>	<u><u>\$ 373,280</u></u>	<u><u>\$ 154,102</u></u>	<u><u>\$ 19,551,491</u></u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 20,023	\$ 471,158	\$ -	\$ 5,402	\$ 496,583
Accrued salaries and related items	993,240	-	-	-	993,240
Accrued interest	45,574	-	-	-	45,574
Note payable	1,435,000	-	-	-	1,435,000
TOTAL LIABILITIES	<u><u>2,493,837</u></u>	<u><u>471,158</u></u>	<u><u>-</u></u>	<u><u>5,402</u></u>	<u><u>2,970,397</u></u>

See notes to financial statements.

	General Fund	2007 Capital projects fund	Capital Improvement Fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:					
Reserved for inventories	\$ 84,866	\$ -	\$ -	\$ 22,579	\$ 107,445
Reserved for prepaid expenditures	144,357	-	-	-	144,357
Reserved for debt service	-	-	-	117,156	117,156
Reserved for capital outlay	-	14,125,137	-		14,125,137
Unreserved:					
Designated for accrued retirement	774,196	-	-	-	774,196
Designated for subsequent year expenditures	141,000	-	-	-	141,000
Undesignated	789,558	-	373,280	8,965	1,171,803
TOTAL FUND BALANCES	1,933,977	14,125,137	373,280	148,700	16,581,094
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,427,814	\$ 14,596,295	\$ 373,280	\$ 154,102	\$ 19,551,491
Total governmental fund balances					\$ 16,581,094
Amounts reported for governmental activities in the statement of net assets are different because:					
Value of amortized bond issuance costs				\$ 261,066	
Accumulated amortization				(8,384)	
					252,682
Capital assets used in governmental activities are not financial resources and are not reported in the funds					
The cost of the capital assets is				31,686,681	
Accumulated depreciation is				(7,800,345)	
					23,886,336
Long-term liabilities are not due and payable in the current period and are not reported in the funds:					
Bonds payable					(38,924,870)
Compensated absences and termination benefits					(774,196)
Accrued interest is not included as a liability in government funds, it is recorded when paid					(245,362)
Taxes receivable at June 30, 2008, expected to be collected after September 1, 2008					4,397
Net assets of governmental activities					\$ 780,081

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>2007 Capital projects fund</u>	<u>Capital Improvement Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES:					
Local sources:					
Property taxes	\$ 506,131	\$ -	\$ -	\$ 1,821,456	\$ 2,327,587
Tuition	13,696	-	-	-	13,696
Investment earnings	58,833	872,310	21,126	24,646	976,915
Food sales, athletics, and community service	-	-	-	422,937	422,937
Other	65,919	-	-	6,638	72,557
Total local sources	644,579	872,310	21,126	2,275,677	3,813,692
State sources	11,086,130	-	-	34,757	11,120,887
Federal sources	231,491	-	-	211,068	442,559
Incoming transfers and other	159,585	-	-	-	159,585
Total revenues	12,121,785	872,310	21,126	2,521,502	15,536,723
EXPENDITURES:					
Current:					
Instruction	7,432,052	-	-	-	7,432,052
Supporting services	4,670,317	-	-	-	4,670,317
Food service activities	-	-	-	653,153	653,153
Athletic activities	-	-	-	62,536	62,536
Community service activities	43,947	-	-	-	43,947
Capital outlay	-	4,286,528	122,789	18,459	4,427,776

See notes to financial statements.

	General Fund	2007 Capital projects fund	Capital Improvement Fund	Other nonmajor governmental funds	Total governmental funds
EXPENDITURES (Concluded):					
Debt service:					
Principal repayment	\$ -	\$ -	\$ -	\$ 830,000	\$ 830,000
Interest	-	-	-	1,281,151	1,281,151
Bond issuance costs	-	-	-	134,682	134,682
Other	-	-	-	2,600	2,600
Total expenditures	12,146,316	4,286,528	122,789	2,982,581	19,538,214
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,531)	(3,414,218)	(101,663)	(461,079)	(4,001,491)
OTHER FINANCING SOURCES (USES):					
Proceeds from issuance of bonds	-	-	-	7,465,000	7,465,000
Payments to refunded bond escrow	-	-	-	(7,607,023)	(7,607,023)
Bond Premium	-	-	-	279,819	279,819
Proceed from school bond loan fund	-	-	-	6,600	6,600
Operating transfers from other funds	-	-	-	45,981	45,981
Operating transfers to other funds	(45,981)	-	-	-	(45,981)
Total other financing sources (uses)	(45,981)	-	-	190,377	144,396
NET CHANGE IN FUND BALANCES	(70,512)	(3,414,218)	(101,663)	(270,702)	(3,857,095)
FUND BALANCES:					
Beginning of year	2,004,489	17,539,355	474,943	419,402	20,438,189
End of year	\$ 1,933,977	\$ 14,125,137	\$ 373,280	\$ 148,700	\$ 16,581,094

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Net change in fund balances total governmental funds	\$ (3,857,095)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(728,853)
Capital outlay	4,420,322
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	117,001
Accrued interest payable, end of the year	(245,362)
Accrued severance pay is recorded in the statement of activities when incurred, but it is not recorded in the governmental funds until it is paid:	
Accrued severance pay, beginning of year	75,540
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:	
Proceeds from issuance of bonds	(7,465,000)
Payments on debt	8,300,000
Proceeds from school bond loan fund	(262,855)
Bond issuance costs	134,682
Premium on issuance of bonds	(279,819)
Deferred loss on bond refunding	137,023
Amortization of bond issuance costs	(8,384)
Amortization of deferred loss on refunding	(3,172)
Amortization of bond premium	22,931
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Taxes receivable, beginning of the year	(12,944)
Taxes receivable, end of the year	4,397
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and termination benefits, beginning of the year	706,392
Accrued compensated absences and termination benefits, end of the year	(774,196)
Change in net assets of governmental activities	<u>\$ 280,608</u>

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008**

	<u>Agency fund</u>	<u>Private Purpose Trust Fund</u>
ASSETS		
ASSETS:		
Cash	\$ 54,039	\$ -
Land	-	37,000
Land improvements	-	3,522
Building	-	40,000
Building improvements	-	1,097
TOTAL ASSETS	<u>\$ 54,039</u>	<u>\$ 81,619</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Due to student and other groups	\$ 54,039	\$ -
NET ASSETS:		
Reserved for school use	<u>-</u>	<u>81,619</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 54,039</u>	<u>\$ 81,619</u>

HOPKINS PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Hopkins Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Hopkins Public Schools (the "District") is governed by the Hopkins Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use, or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school District and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate District sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school District functions typically are financed. The acquisition, use and balances of the school District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Included are all transactions related to the approved current operating budget.

The *2007 capital projects fund* accounts for the receipt of debt proceeds and the acquisition or construction of capital facilities or equipment held by the District.

The capital projects funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Concluded)

The following is a summary of the revenue and expenditures for the 2007 school bond:

	<u>2007 bonds</u>
Revenue and other sources	<u>\$ 1,267,188</u>
Expenditures and other uses	<u>\$ 4,732,051</u>

The above revenue figure does not include original 2007 school bond proceeds of \$17,590,000.

The *public improvement fund* accounts for the receipt of proceeds from the District's sale of its cable television channel and the acquisition or construction of capital facilities or equipment held by the District.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Nonexpendable trust funds account for assets where only the interest may be spent. These funds are not reported on the District's financial statements. The District's trust fund currently holds assets donated to the District.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual method of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

The state portion of the foundation is provided primarily by a state education property tax mileage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposit and Investment Risk Disclosure*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.0
Debt service fund - Homestead and non-homestead	8.0

3. Inventories and prepaid items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 - 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case-by-case basis.

6. Compensated absences

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

9. Net asset reporting

In the computation of invested in capital assets, net of related debt, school bond loan fund and school bond revolving fund principal proceeds of \$4,234,052 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$1,730,506 has been included in the calculation of unrestricted net assets.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appointed in the subsequent fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2008, the District had the following investments.

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's Rating	%
U.S. Agency Bonds	\$ 10,412,758	0.25	AAA	95.3%
U.S. Government Bonds	516,679	0.53	AAA	4.7%
Total fair value	<u>\$ 10,929,437</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.26</u>		

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$6,777,686 of the District's bank balance of \$7,177,686 was exposed to custodial credit risk because it was uninsured and uncollateralized. Interest bearing accounts and certificates of deposit are included in the above totals.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

A reconciliation of cash and investments as shown on the combined statement of net assets follows:

Carrying value:	
Cash on deposit with insurance company	\$ 28,000
Cash on hand	200
Carrying amount of deposits: Checking	663,740
Carrying amount of deposits: Money markets and CD's	5,528,577
Carrying amount of investment	<u>10,929,437</u>
Total	<u><u>\$ 17,149,954</u></u>
Per financial statements:	
Cash - including agency funds of \$54,039	\$ 691,940
Investments	1,987,369
Restricted Investments	<u>14,470,645</u>
Total	<u><u>\$ 17,149,954</u></u>

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 267,000	\$ -	\$ -	\$ 267,000
Construction in progress	89,103	4,209,205	-	4,298,308
Total capital assets not being depreciated	356,103	4,209,205	-	4,565,308
Other capital assets:				
Buildings and additions	23,993,422	-	-	23,993,422
Furniture and equipment	1,566,845	211,117	-	1,777,962
Transportation equipment	1,446,989	-	97,000	1,349,989
Subtotal	27,007,256	211,117	97,000	27,121,373
Accumulated depreciation:				
Buildings and additions	5,218,414	460,748	-	5,679,162
Furniture and equipment	1,146,406	126,042	-	1,272,448
Transportation equipment	803,672	142,063	97,000	848,735
Net other capital assets	7,168,492	728,853	97,000	7,800,345
Net capital assets	<u>\$ 20,194,867</u>	<u>\$ 3,691,469</u>	<u>\$ -</u>	<u>\$ 23,886,336</u>

Depreciation for the fiscal year ended June 30, 2008 amounted to \$728,853.

Depreciation expense was charged to programs of the primary government as follows:

Instruction	\$ 80,569
Support services	187,536
Athletics	34,278
Unallocated depreciation	<u>426,470</u>
Total depreciation	<u>\$ 728,853</u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - RECEIVABLES

Receivables at June 30, 2008 at the fund level consist of the following:

	General fund
	<u> </u>
State Aid - State of Michigan	\$ 2,027,269
Federal grants	<u>48,455</u>
	<u><u>\$ 2,075,724</u></u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

NOTE 6 - NOTE PAYABLE

At June 30, 2008, the District has outstanding a \$1,435,000 revenue note (state-aid note). The note, which has an interest rate of 3.68%, matures August 20, 2008. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2007	Additions	Payments	Balance June 30, 2008
<u>\$ 1,400,000</u>	<u>\$ 1,435,000</u>	<u>\$ 1,400,000</u>	<u>\$ 1,435,000</u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT AND LOANS PAYABLE

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

2008 general obligation refunding bonds due in annual installments of \$410,000 to \$415,000 through May 1, 2026 with interest at 3.25% to 5.00%	\$ 7,465,000
2007 general obligation bonds due in annual installments of \$290,000 to \$1,050,000 through May 1, 2032 with interest at 4.0% to 5.0%	17,590,000
1999 general obligation refunding bonds due in annual installments of \$390,000 to \$440,000 through May 1, 2026 with interest at 4.20% to 4.75%	7,335,000
Less: deferred loss on bond refunding, net of amortization	(133,851)
Plus: premium on bond issuance, net of amortization	<u>651,766</u>
Total general obligation bonds	32,907,915
1998 limited obligation bonds (Durant bonds) due in annual installments of \$7,115 to \$21,841 through May 1, 2013 with interest at 4.76%. Certain state aid payments have been pledged as security.	52,397
Borrowings from the State of Michigan under the School Bond Loan Fund, including interest	5,964,558
Accrued retirement benefits:	
Obligation under contract for compensated absences	564,396
Obligation under contract for termination benefits - severance	<u>209,800</u>
Total general long-term debt	<u><u>\$ 39,699,066</u></u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT AND LOANS PAYABLE (Continued)

The annual requirements to amortize the long-term obligations as of June 30, 2007, including interest of \$18,761,269, are as follows:

Year ending June 30,	Total
2009	\$ 2,602,990
2010	2,620,759
2011	2,631,051
2012	2,623,645
2013	2,636,887
2014-2018	12,818,225
2019-2023	11,713,173
2024-2028	8,914,436
2028-2032	4,642,500
	<u>51,203,666</u>
Borrowings from the State of Michigan under the School Bond Loan	
Fund, including interest	5,964,558
Premium on bond issuance	651,766
Deferred amount on bond refunding	(133,851)
Accrued retirement benefits:	
Obligation under contract for compensated absences	774,196
Total general long-term debt and interest	<u>\$ 58,460,335</u>

An amount of \$117,156 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2008 was \$1,281,151. Also, the 1998 limited obligation bonds (Durant bonds) can be paid only through annual appropriations from the State of Michigan.

Borrowing from the State of Michigan - The school bond loans payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates of 4.38456% for the School Revolving Fund notes and 4.205% - 4.75% for the School Bond Loan Fund notes have been assessed for the year ended June 30, 2008. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 7.55 mills. The school district is required to levy 7.55 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT AND LOANS PAYABLE (Concluded)

On February 27, 2008, Hopkins Public Schools issued general obligation refunding bonds of \$7,465,000 with an interest rate ranging from 3.25% to 5.0% to advance refund general obligation bonds with an interest rate ranging from 4.05% to 4.65%. The general obligation refunding bonds were issued at a premium after paying issuance costs of \$134,682, the net proceeds were \$7,610,137. The net proceeds from the issuance of the general obligation refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirement by \$450,383, which resulted in an economic gain of \$380,951.

The following is a summary of the changes in liabilities reported in the general long-term debt account group:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Due within one year
General obligation bonds	\$ 33,619,878	\$ 7,588,037	\$ 8,300,000	\$ 32,907,915	\$ 1,115,000
Limited obligation bonds	52,397	-	-	52,397	7,115
School bond loan fund	5,701,703	262,855	-	5,964,558	-
Accumulated unpaid sick pay	506,767	57,629	-	564,396	103,032
Accrued termination benefits	199,625	10,175	-	209,800	-
Severance pay	75,540	-	75,540	-	-
Totals	<u>\$ 40,155,910</u>	<u>\$ 7,918,696</u>	<u>\$ 8,375,540</u>	<u>\$ 39,699,066</u>	<u>\$ 1,225,147</u>

At June 30, 2008 outstanding general obligation bonds of \$21,770,000 relating to the 1996 and 1998 issues are considered to be defeased.

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 17.74% of payroll through September 30, 2007 and 16.72% effective October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2008, 2007 and 2006 were \$1,156,090, \$1,178,050 and \$1,058,970 respectively, equal to the required contribution for each year.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement benefits or other post-employment benefits which are the responsibility of the State of Michigan.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the difference. The association maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Participant's annual dental and vision benefits are limited.

Hopkins Public Schools is self insured for dental and vision claims. Claims for the year ending June 30, 2008 and 2007 were approximately \$225,699 and \$231,136, respectively. The estimated liabilities for claims incurred but unreported as of June 30, 2008 and 2007 is not significant.

The District continues to carry commercial insurance for all other risks of loss, including property and casualty and other employee health and accident insurance.

NOTE 10 - TRANSFERS

The general fund transferred \$45,981 to the special revenue fund, \$14,850 to the school lunch fund and \$31,131 to the athletics fund to cover operating deficits.

REQUIRED SUPPLEMENTARY INFORMATION

**HOPKINS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES:				
Local sources	\$ 640,000	\$ 653,000	\$ 644,579	\$ (8,421)
State sources	11,156,000	11,044,000	11,086,130	42,130
Federal sources	272,000	260,000	231,491	(28,509)
Incoming transfers and other	145,000	155,000	159,585	4,585
Total revenues	12,213,000	12,112,000	12,121,785	9,785
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	6,255,000	6,295,000	6,537,541	(242,541)
Added needs	1,078,000	986,000	894,511	91,489
Total instruction	7,333,000	7,281,000	7,432,052	(151,052)
Supporting services:				
Pupil	650,000	593,000	548,436	44,564
Instructional staff	270,000	240,000	201,034	38,966
General administration	299,000	323,000	339,555	(16,555)
School administration	932,000	959,000	949,773	9,227
Business	399,000	394,000	376,361	17,639
Operation/maintenance	1,447,000	1,359,000	1,335,572	23,428
Pupil transportation	815,000	776,000	737,269	38,731
Central	173,000	171,000	182,317	(11,317)
Total supporting services	4,985,000	4,815,000	4,670,317	144,683
Community services	56,000	58,000	43,947	14,053
Total expenditures	12,374,000	12,154,000	12,146,316	7,684
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(161,000)	(42,000)	(24,531)	17,469
OTHER FINANCING SOURCES (USES):				
Operating transfers to other funds	(56,000)	(58,000)	(45,981)	12,019
NET CHANGE IN FUND BALANCE	<u>\$ (217,000)</u>	<u>\$ (100,000)</u>	<u>(70,512)</u>	<u>\$ 29,488</u>
FUND BALANCE:				
Beginning of year			2,004,489	
End of year			<u>\$ 1,933,977</u>	

ADDITIONAL INFORMATION

**HOPKINS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Total nonmajor governmental funds</u>
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 14,367	\$ 117,156	\$ 131,523
Inventories	<u>22,579</u>	<u>-</u>	<u>22,579</u>
TOTAL ASSETS	<u><u>\$ 36,946</u></u>	<u><u>\$ 117,156</u></u>	<u><u>\$ 154,102</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	<u>\$ 5,402</u>	<u>\$ -</u>	<u>\$ 5,402</u>
FUND BALANCES:			
Reserved for inventories	22,579	-	22,579
Reserved for debt service	-	117,156	117,156
Unreserved, undesignated	<u>8,965</u>	<u>-</u>	<u>8,965</u>
TOTAL FUND BALANCES	<u>31,544</u>	<u>117,156</u>	<u>148,700</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 36,946</u></u>	<u><u>\$ 117,156</u></u>	<u><u>\$ 154,102</u></u>

HOPKINS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special revenue	Debt service	Total nonmajor governmental funds
REVENUES:			
Local sources:			
Property taxes	\$ -	\$ 1,821,456	\$ 1,821,456
Investment earnings	1,916	22,730	24,646
Food sales and admissions	422,937	-	422,937
Other	6,638	-	6,638
Total local sources	431,491	1,844,186	2,275,677
State sources	34,757	-	34,757
Federal sources	211,068	-	211,068
Total revenues	677,316	1,844,186	2,521,502
EXPENDITURES:			
Current:			
Food service activities	653,153	-	653,153
Athletic activities	62,536	-	62,536
Capital outlay	18,459	-	18,459
Debt service:			
Principal repayment	-	830,000	830,000
Interest expense	-	1,281,151	1,281,151
Bond issuance costs	-	134,682	134,682
Other expense	-	2,600	2,600
Total expenditures	734,148	2,248,433	2,982,581
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(56,832)	(404,247)	(461,079)
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of refunding bonds	-	7,465,000	7,465,000
Payment to refunded bond escrows	-	(7,607,023)	(7,607,023)
Bond premium	-	279,819	279,819
Proceed from school bond loan fund	-	6,600	6,600
Operating transfers from other funds	45,981	-	45,981
Total other financing sources	45,981	144,396	190,377
NET CHANGE IN FUND BALANCES	(10,851)	(259,851)	(270,702)
FUND BALANCES:			
Beginning of year	42,395	377,007	419,402
End of year	\$ 31,544	\$ 117,156	\$ 148,700

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF REVENUES
YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
LOCAL SOURCES:		
Property taxes	\$ 506,131	\$ 477,098
Tuition	13,696	14,369
Investment earnings	58,833	101,299
Other local revenue	<u>65,919</u>	<u>88,828</u>
TOTAL LOCAL SOURCES	<u>644,579</u>	<u>681,594</u>
STATE SOURCES:		
Foundation grant	10,698,679	10,616,664
Special education	216,175	329,342
At risk	161,399	150,321
Other state revenue	<u>9,877</u>	<u>70,635</u>
TOTAL STATE SOURCES	<u>11,086,130</u>	<u>11,166,962</u>
FEDERAL SOURCES:		
Title I	167,537	159,994
Title II - improving teacher quality	60,618	60,332
Drug-free schools and communities	1,400	4,658
Other federal revenue	<u>1,936</u>	<u>3,703</u>
TOTAL FEDERAL SOURCES	<u>231,491</u>	<u>228,687</u>
INCOMING TRANSFERS AND OTHER TRANSACTIONS:		
Special education	<u>159,585</u>	<u>159,215</u>
TOTAL REVENUES	<u><u>\$ 12,121,785</u></u>	<u><u>\$ 12,236,458</u></u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
INSTRUCTION:		
Basic programs:		
Elementary:		
Salaries	\$ 1,740,621	\$ 1,665,708
Benefits	1,018,730	1,053,893
Purchased services	39,859	56,343
Supplies and materials	50,354	63,374
Other expenses	10,046	9,562
Capital outlay	82,604	133
Total elementary	<u>2,942,214</u>	<u>2,849,013</u>
Middle school:		
Salaries	904,428	818,376
Benefits	472,718	425,201
Purchased services	22,108	38,508
Supplies and materials	19,367	25,414
Other expenses	390	-
Capital outlay	-	2,523
Total middle school	<u>1,419,011</u>	<u>1,310,022</u>
High school:		
Salaries	1,318,129	1,217,940
Benefits	669,395	602,649
Purchased services	45,280	41,053
Supplies and materials	84,835	87,606
Other expenses	11,668	10,083
Capital outlay	47,009	181,829
Total high school	<u>2,176,316</u>	<u>2,141,160</u>
Total basic programs	<u>6,537,541</u>	<u>6,300,195</u>
Added needs:		
Special education:		
Salaries	347,499	387,849
Benefits	186,115	210,753
Purchased services	105,689	107,063
Supplies and materials	4,075	2,525
Total special education	<u>643,378</u>	<u>708,190</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
INSTRUCTION (Concluded):		
Compensatory education:		
Salaries	\$ 114,786	\$ 130,311
Benefits	40,560	43,350
Purchased services	3,167	5,227
Supplies and materials	2,393	7,037
Other expenses	7,190	-
Total compensatory education	<u>168,096</u>	<u>185,925</u>
Vocational education:		
Salaries	47,526	44,584
Benefits	29,387	26,895
Purchased services	4,759	5,014
Supplies and materials	175	4,009
Other expenses	1,190	1,977
Total vocational education	<u>83,037</u>	<u>82,479</u>
Total added needs	<u>894,511</u>	<u>976,594</u>
TOTAL INSTRUCTION	<u>7,432,052</u>	<u>7,276,789</u>
SUPPORTING SERVICES:		
Pupil services:		
Salaries	299,573	351,591
Benefits	139,633	155,219
Purchased services	101,368	51,099
Supplies and materials	5,862	9,408
Other expenses	2,000	892
Total pupil services	<u>548,436</u>	<u>568,209</u>
Instructional staff services:		
Salaries	86,415	138,214
Benefits	32,784	48,040
Purchased services	28,269	13,464
Supplies and materials	21,630	25,086
Other expenses	31,936	14,683
Total instructional staff	<u>201,034</u>	<u>239,487</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
SUPPORTING SERVICES (Continued) :		
General administration:		
Salaries	\$ 127,554	\$ 146,118
Benefits	70,351	80,810
Purchased services	78,611	93,540
Supplies and materials	1,166	158
Other expenses	61,873	40,961
Total general administration	<u>339,555</u>	<u>361,587</u>
School administration:		
Salaries	550,567	525,620
Benefits	262,648	256,380
Purchased services	117,838	118,124
Supplies and materials	13,241	18,930
Other expenses	4,963	5,790
Capital outlay	516	-
Total school administration	<u>949,773</u>	<u>924,844</u>
Business services:		
Salaries	182,976	158,961
Benefits	115,533	103,394
Purchased services	23,406	24,227
Supplies and materials	3,664	(3,689)
Other expenses	50,782	53,729
Total business services	<u>376,361</u>	<u>336,622</u>
Operations and maintenance:		
Salaries	444,833	437,300
Benefits	288,858	285,677
Purchased services	207,347	288,665
Supplies and materials	383,260	375,528
Other expenses	11,274	9,938
Capital outlay	-	25,608
Total operations and maintenance	<u>1,335,572</u>	<u>1,422,716</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
SUPPORTING SERVICES (Continued) :		
Transportation:		
Salaries	\$ 383,894	\$ 394,009
Benefits	168,783	176,784
Purchased services	34,512	45,642
Supplies and materials	135,379	84,716
Other expenses	8,416	4,443
Capital outlay	6,285	289,860
Total transportation	<u>737,269</u>	<u>995,454</u>
Central services:		
Salaries	103,678	95,312
Benefits	61,296	57,455
Purchased services	6,864	4,328
Supplies and materials	9,128	4,504
Other expenses	1,351	1,819
Total central services	<u>182,317</u>	<u>163,418</u>
TOTAL SUPPORTING SERVICES	<u>4,670,317</u>	<u>5,012,337</u>
COMMUNITY SERVICES:		
Salaries	31,767	39,257
Benefits	9,547	12,093
Purchased services	368	643
Supplies and materials	2,122	2,327
Other expenses	143	-
TOTAL COMMUNITY SERVICES	<u>43,947</u>	<u>54,320</u>
TOTAL EXPENDITURES	<u><u>\$ 12,146,316</u></u>	<u><u>\$ 12,343,446</u></u>

**HOPKINS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008**

	Food Service	Athletic	Totals
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 1,634	\$ 12,733	\$ 14,367
Inventories	22,579	-	22,579
TOTAL ASSETS	\$ 24,213	\$ 12,733	\$ 36,946
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 5,402	\$ -	\$ 5,402
FUND BALANCES:			
Reserved for inventories	22,579	-	22,579
Unreserved/undesignated	(3,768)	12,733	8,965
TOTAL FUND BALANCES	18,811	12,733	31,544
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,213	\$ 12,733	\$ 36,946

**HOPKINS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008**

	Food Service	Athletic	Totals
REVENUES:			
Sales	\$ 379,655	\$ -	\$ 379,655
State aid	34,757	-	34,757
Federal aid	211,068	-	211,068
Admissions	-	43,282	43,282
Investment earnings	1,513	403	1,916
Other	-	6,638	6,638
	<hr/>	<hr/>	<hr/>
Total revenues	626,993	50,323	677,316
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Salaries	178,929	-	178,929
Benefits	59,551	-	59,551
Purchased services	86,898	30,982	117,880
Supplies and materials	309,792	19,035	328,827
Capital outlay	2,117	16,342	18,459
Other expenses	17,983	12,519	30,502
	<hr/>	<hr/>	<hr/>
Total expenditures	655,270	78,878	734,148
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(28,277)	(28,555)	(56,832)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	14,850	31,131	45,981
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	(13,427)	2,576	(10,851)
	<hr/>	<hr/>	<hr/>
FUND BALANCES:			
Beginning of year	32,238	10,157	42,395
	<hr/>	<hr/>	<hr/>
End of year	\$ 18,811	\$ 12,733	\$ 31,544
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008**

	<u>1998</u>	<u>1999</u>	<u>2007</u>	<u>2008 Refunding</u>	<u>Total nonmajor debt service</u>
ASSETS					
ASSETS:					
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 27,680</u>	<u>\$ 49,939</u>	<u>\$ 39,537</u>	<u>\$ 117,156</u>
FUND BALANCES:					
Reserved for debt service	<u>\$ -</u>	<u>\$ 27,680</u>	<u>\$ 49,939</u>	<u>\$ 39,537</u>	<u>\$ 117,156</u>

**HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008**

	1998	1999	2007	2008 Refunding	Total nonmajor debt service
REVENUES:					
Local sources:					
Property taxes	\$ 407,670	\$ 588,786	\$ 736,776	\$ 88,224	\$ 1,821,456
Interest	6,250	6,962	8,808	710	22,730
Total revenues	413,920	595,748	745,584	88,934	1,844,186
EXPENDITURES:					
Redemption of bonds	415,000	415,000	-	-	830,000
Interest on bonded debt	182,770	351,525	694,595	52,261	1,281,151
Bond issuance costs	-	-	-	134,682	134,682
Other	650	650	1,050	250	2,600
Total expenditures	598,420	767,175	695,645	187,193	2,248,433
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(184,500)	(171,427)	49,939	(98,259)	(404,247)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of refunding bonds	-	-	-	7,465,000	7,465,000
Payment to refunded bond escrows	-	-	-	(7,607,023)	(7,607,023)
Bond premium	-	-	-	279,819	279,819
Proceeds from school bond loan fund	-	6,600	-	-	6,600
Total other financing sources (uses)	-	6,600	-	137,796	144,396
NET CHANGE IN FUND BALANCES	(184,500)	(164,827)	49,939	39,537	(259,851)
FUND BALANCES:					
Beginning of year	184,500	192,507	-	-	377,007
End of year	\$ -	\$ 27,680	\$ 49,939	\$ 39,537	\$ 117,156

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2008

	Balance 7/1/07	Receipts	Disbursements	Balance 6/30/08
Internal	\$ 345	\$ 700	\$ 453	\$ 592
Interest	1,290	2,612	2,152	1,750
High school principal	945	2,414	2,981	378
Middle school principal	6,794	12,254	10,467	8,581
Yearbook/Journalism	6,937	13,885	15,533	5,289
FFA	2,738	10,744	12,778	704
Band	3,406	1,422	4,409	419
Drug Free Schools	3	-	-	3
Pep Club	87	-	-	87
Destination Imagination	29	87	50	66
Honor Society	235	400	225	410
Spanish Club	2,621	6,354	7,878	1,097
Sp Ed - high school	34	25	-	59
HS Student Council	(2,332)	2,650	1,747	(1,429)
Jr. High Student Council	1,241	735	1,077	899
Hopkins Elem. Student Council	4,278	5,282	4,430	5,130
Sycamore Student Council	2,217	1,919	1,628	2,508
Drama Club	145	1,022	495	672
AP Classes	143	2,595	2,345	393
SADD	194	9,880	9,719	355
Dance Club	263	-	100	163
Robotics Club	3,115	5,794	3,682	5,227
HHS Scholarship	100	1,900	1,900	100
Kenneth Arndt Scholarship	754	-	-	754
Hellwig Scholarship	615	-	250	365
Jobe Memorial Scholarship	150	748	750	148
Wayland VFW Scholarship	-	150	150	-
VanderPloeg Scholarship	50	200	200	50
Pepsi Scholarship	800	1,249	1,700	349
Arnsman Athletic Scholarship	-	1,000	1,000	-
Indjer Scholarship	1,550	-	350	1,200
Athletic Director	360	-	145	215

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2008

	Balance 7/1/07	Receipts	Disbursements	Balance 6/30/08
Athletic Director programs	\$ 219	\$ -	\$ 110	\$ 109
Cross country	1,245	3,722	2,738	2,229
Varsity girls' basketball	759	8,175	5,466	3,468
Varsity baseball	283	3,875	3,920	238
Softball	260	2,110	1,455	915
Class of 2009	873	5,510	4,921	1,462
Class of 2010	1,182	941	3,267	(1,144)
Wrestling	1,384	871	732	1,523
Wrestling Club	181	-	-	181
Varsity boys' basketball	1,660	2,016	2,759	917
Golf	721	-	147	574
Bowling Club	692	320	-	1,012
Volleyball	7,824	5,593	7,539	5,878
Varsity football	2,884	6,469	7,278	2,075
Varsity cheerleaders	394	347	122	619
Art Club	237	4,302	4,273	266
6th Grade Camp	(8)	18,466	18,278	180
6th Grade Team	55	1,983	1,728	310
7th Grade Team	680	4,970	4,469	1,181
8th Grade Team	1,329	2,578	2,302	1,605
Track	1,147	600	-	1,747
Ski Club	405	662	750	317
Wise Farm Rental	460	-	-	460
Kindergarten - Crowe	270	160	-	430
1st grade - Modreske	187	50	218	19
Soccer Club - girls	770	3,939	3,737	972
Soccer Club - boys	573	705	316	962
Kindergarten - Hennip	215	50	-	265
1st grade - Galligan	-	50	31	19
2nd grade - Edwards	5	50	51	4
HE Young Authors	61	-	-	61
Shelley Smith	97	50	55	92
Middle school yearbook	3,267	5,716	4,464	4,519
3rd grade - VanDonnelen	162	50	-	212

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2008

	Balance 7/1/07	Receipts	Disbursements	Balance 6/30/08
5th grade - Barry	\$ 1	\$ 50	\$ 37	\$ 14
3rd grade - Hoeksema	281	50	18	313
3rd grade - Vendeville	258	69	-	327
Sp Ed - Ball	333	50	-	383
4th grade - Rademacher	17	50	40	27
Y5's - Siebers	147	50	24	173
4th grade - Rigotti - Craig	63	50	40	73
Sp Ed - Irwin	103	-	-	103
5th grade - Whitmore	199	50	-	249
HE Library	17	919	787	149
New musical	4,517	9,937	10,093	4,361
Choir	(24,851)	845	-	(24,006)
Musical	(17,185)	845	-	(16,340)
HS choir	2,912	12,116	11,030	3,998
MS choir	433	630	1,063	-
Hopkins Elementary Misc.	1,471	1,690	2,198	963
Hopkins Elementary Field Trips	-	12,947	12,528	419
Hopkins Elementary Art	194	50	73	171
Hopkins Elementary Music	26	704	666	64
Hopkins Elementary Gym	210	200	-	410
4th grade - Duiven	37	371	349	59
5th grade - Pike	495	2,416	2,279	632
Kindergarten - Coffindaffer	45	253	231	67
2nd grade - Skorupski	66	50	38	78
2nd grade - Wolfe	61	50	18	93
1st grade - Cardenas	122	74	33	163
4th grade - Meyers	49	50	54	45
Kindergarten - King	204	143	104	243
1st grade - Gilbert	12	50	-	62
3rd grade - McClish	1	50	-	51

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND LIABILITY BY ACTIVITY
YEAR ENDED JUNE 30, 2008

	Balance 7/1/07	Receipts	Disbursements	Balance 6/30/08
Sp Ed - Leep	\$ 248	\$ 50	\$ -	\$ 298
1st grade - Watson	141	50	-	191
Sycamore - Misc.	2,900	2,756	1,940	3,716
Sycamore Field Trips	43	3,398	3,080	361
Sycamore Music	71	243	314	-
Sycamore Art	172	-	93	79
Sycamore Gym	83	-	68	15
Sycamore Young Authors	1,457	2,608	3,101	964
Kindergarten - Hartuniewicz	183	50	76	157
3rd grade - Bardelmeier	-	50	-	50
Sp Ed - Herman	129	50	-	179
Sycamore Library	920	5,327	5,499	748
Class of 2012	400	-	-	400
Class of 2013	200	-	-	200
Class of 2008	2,977	-	1,897	1,080
Accelerated Reader - HE	-	156	140	16
R Hazen	-	72	37	35
Class of 2007	992	-	992	-
High School Spirit Shop	146	2,328	2,441	33
Class of 2011	600	4,525	3,163	1,962
	<u>\$ 51,480</u>	<u>\$ 236,823</u>	<u>\$ 234,264</u>	<u>\$ 54,039</u>

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
2008 REFUNDING BONDS
JUNE 30, 2008**

2008 Refunding Bonds

Fiscal year ended	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1	May 1		
2009	3.25%	\$ 140,322	\$ 146,984	\$ 410,000	\$ 697,306
2010	3.25%	133,578	140,322	415,000	\$ 688,900
2011	3.25%	126,834	133,578	415,000	\$ 675,412
2012	3.25%	120,091	126,834	415,000	\$ 661,925
2013	3.50%	112,828	120,091	415,000	\$ 647,919
2014	3.50%	105,566	112,828	415,000	\$ 633,394
2015	3.50%	98,303	105,566	415,000	\$ 618,869
2016	5.00%	87,928	98,303	415,000	\$ 601,231
2017	5.00%	77,553	87,928	415,000	\$ 580,481
2018	5.00%	67,179	77,553	415,000	\$ 559,732
2019	4.00%	58,878	67,179	415,000	\$ 541,057
2020	4.00%	50,578	58,878	415,000	\$ 524,456
2021	4.00%	42,278	50,578	415,000	\$ 507,856
2022	4.00%	33,978	42,278	415,000	\$ 491,256
2023	4.00%	25,678	33,978	415,000	\$ 474,656
2024	4.125%	17,119	25,678	415,000	\$ 457,797
2025	4.125%	8,559	17,119	415,000	\$ 440,678
2026	4.125%	-	8,559	415,000	\$ 423,559
Total 2008 bonded debt		<u>\$ 1,307,250</u>	<u>\$ 1,454,234</u>	<u>\$ 7,465,000</u>	<u>\$ 10,226,484</u>

Total amount of original issue was \$7,465,000.

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
2007 BUILDING AND SITE BONDS
JUNE 30, 2007**

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2009	4.00	\$ 428,175	\$ 428,175	\$ 290,000	\$ 1,146,350
2010	4.00	422,375	422,375	350,000	1,194,750
2011	4.00	415,375	415,375	375,000	1,205,750
2012	4.00	407,875	407,875	425,000	1,240,750
2013	4.50	399,375	399,375	475,000	1,273,750
2014	5.00	389,875	389,875	525,000	1,304,750
2015	5.00	378,063	378,063	575,000	1,331,126
2016	5.00	363,688	363,688	625,000	1,352,376
2017	5.00	348,063	348,063	675,000	1,371,126
2018	5.00	331,188	331,188	700,000	1,362,376
2019	5.00	313,688	313,688	725,000	1,352,376
2020	5.00	295,563	295,563	750,000	1,341,126
2021	5.00	277,500	277,500	775,000	1,330,000
2022	5.00	258,125	258,125	800,000	1,316,250
2023	5.00	238,125	238,125	825,000	1,301,250
2024	5.00	217,500	217,500	850,000	1,285,000
2025	5.00	196,250	196,250	875,000	1,267,500
2026	5.00	174,375	174,375	900,000	1,248,750
2027	5.00	151,875	151,875	950,000	1,253,750
2028	5.00	128,125	128,125	1,000,000	1,256,250
2029	5.00	103,125	103,125	1,025,000	1,231,250
2030	5.00	77,500	77,500	1,025,000	1,180,000
2031	5.00	51,875	51,875	1,025,000	1,128,750
2032	5.00	26,250	26,250	1,050,000	1,102,500
		<u>\$ 6,393,928</u>	<u>\$ 6,393,928</u>	<u>\$ 17,590,000</u>	<u>\$ 30,377,856</u>

The original amount of the issue was \$17,590,000

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1999 REFUNDING BONDS
JUNE 30, 2008**

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2009	4.20	\$ 167,678	\$ 167,678	\$ 415,000	\$ 750,356
2010	4.30	159,066	159,066	410,000	728,132
2011	4.35	150,456	150,456	440,000	740,912
2012	4.40	140,996	140,996	430,000	711,992
2013	4.50	131,644	131,644	425,000	688,288
2014	4.55	122,294	122,294	420,000	664,588
2015	4.60	112,844	112,844	420,000	645,688
2016	4.65	103,289	103,289	415,000	621,578
2017	4.70	93,744	93,744	410,000	597,488
2018	4.75	84,211	84,211	405,000	573,422
2019	4.75	74,694	74,694	400,000	549,388
2020	4.75	65,194	65,194	400,000	530,388
2021	4.75	55,694	55,694	395,000	506,388
2022	4.75	46,313	46,313	390,000	482,626
2023	4.75	37,050	37,050	390,000	464,100
2024	4.75	27,788	27,788	390,000	445,576
2025	4.75	18,525	18,525	390,000	427,050
2026	4.75	9,263	9,263	390,000	408,526
		<u>\$ 1,600,743</u>	<u>\$ 1,600,743</u>	<u>\$ 7,335,000</u>	<u>\$ 10,536,486</u>

The original amount of the issue was \$8,075,000

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1998 SCHOOL IMPROVEMENT BONDS (DURANT)
JUNE 30, 2008**

<u>Fiscal year ended June 30,</u>	<u>Interest rate</u>	<u>Interest due May 15,</u>	<u>Principal due May 15,</u>	<u>Total due annually</u>
2009	4.76	\$ 1,863	\$ 7,115	\$ 8,978
2010	4.76	1,524	7,453	8,977
2011	4.76	1,169	7,808	8,977
2012	4.76	798	8,180	8,978
2013	4.76	<u>5,089</u>	<u>21,841</u>	<u>26,930</u>
		<u>\$ 10,443</u>	<u>\$ 52,397</u>	<u>\$ 62,840</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the State Aid Payments). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

HOPKINS PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS - STATE OF MICHIGAN
SCHOOL BOND LOAN FUND
JUNE 30, 2007

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State of Michigan under this program have been summarized as follows:

<u>Year ended June 30,</u>	<u>Loan proceeds</u>	<u>Accrued interest</u>	<u>Net increase</u>	<u>Balance</u>
1997	\$ 352,402	\$ 3,345	\$ 355,747	\$ 355,747
1998	795,365	39,786	835,151	1,190,898
1999	715,300	62,002	777,302	1,968,200
2000	735,978	138,033	874,011	2,842,211
2001	481,735	152,688	634,423	3,476,634
2002	475,473	157,175	632,648	4,109,282
2003	337,000	146,604	483,604	4,592,886
2004	257,000	134,798	391,798	4,984,684
2005	212,606	152,227	364,833	5,349,517
2006	74,593	220,718	295,311	5,644,828
2007	(210,000)	266,875	56,875	5,701,703
2008	6,600	256,255	262,855	5,964,558



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Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Hopkins Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2008, which collectively comprise Hopkins Public Schools' basic financial statements and have issued our report thereon dated September 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hopkins Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hopkins Public Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hopkins Public Schools' internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hopkins Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Hopkins Public Schools in a separate letter dated September 8, 2008.

This report is intended solely for the information of the Board of Education, management, U.S. Department of Education and Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costinison & Ellis, P.C.

September 8, 2008



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September 8, 2008

To the Board of Education
Hopkins Public Schools

In planning and performing our audit of the financial statements of Hopkins Public Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Hopkins Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 8, 2008 on the financial statements of Hopkins Public Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

Segregation of payroll duties

Two of the accountants, including the person that prepares payroll, have the ability to add employees and change pay rates. In order to strengthen segregation of duties and internal controls, we suggest these individuals have this access restricted and someone independent of the accounting function be responsible for adding employees and changing pay rates.

Bank statement review

Currently, bank statements and copies of the cancelled checks are received monthly by one of the accountants who distributes them to the appropriate people for preparation of the bank reconciliation. We suggest these statements be received unopened by the assistant superintendent and he, at least on a periodic basis, review the copies of the cancelled checks and accounts for the check sequence. During this review process, he should be looking for any unusual payees, amounts, endorsements, or signatures.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Month-end procedures checklist

During the recently completed audit, we were required by new professional auditing standards to review, inspect, test and gain a further understanding of the District's internal controls. The increased emphasis on documentation of procedures performed will continue into the future. We have provided District personnel with a month-end procedures checklist which can be customized further for your district. The purpose of this checklist is to provide District personnel with a centralized list of required month-end procedures, as well as, a place to document who completed the procedure and who reviewed the procedure performed.

We recommend the District consider implementing this checklist on a monthly basis to improve documentation of required month-end procedures and clearly document when and by whom the procedure was performed and reviewed.

Uninsured bank deposits

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. Generally, the limits are \$100,000 for demand accounts (checking) and \$100,000 for time deposit accounts (savings/certificates of deposit). Districts may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy the District's goals.

This report is intended solely for the information and use of Hopkins Public Schools', management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner, Costurison & Ellis, P.C.

September 8, 2008



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September 8, 2008

To the Board of Directors
Hopkins Public Schools

We have audited the financial statements of Hopkins Public Schools for the year ended June 30, 2008, and have issued our report thereon dated September 8, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Hopkins Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Hopkins Public Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 10, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Hopkins Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements was:

We did not identify any sensitive disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 8, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Hopkins Public Schools' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Hopkins Public Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the finance committee, Board of Directors and management of Hopkins Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costurison & Ellis, P.C.

September 8, 2008